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Sébastien Gand, Mathias Béjean

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Organizing sustainable democratic firms: processes of regeneration as the design of new models of cooperation

Sébastien Gand (CGS – Mines ParisTech)

Mathias Béjean (IAE Gustave Eiffel, Université Paris Est Créteil)

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Abstract

In a period of economic and legitimacy crises for firms, there is a current appeal on alternative firms to the conventional capitalist and hierarchical one, especially ones with a democratic form such as cooperatives. But for a long time the "degeneration" pattern of democratic firms, namely their economic failure or the abandonment of democratic functioning, has been pointed out. Even if such a deterministic rationale has been contested, the main difficulty for democratic firms remains their capacity to overcome degeneration crises.

This paper investigates this question through the case of a 400-member democratic professional service firm, studied during three years with an intervention research method. It shows how such a firm designed organizational outcomes to a twofold crisis of performance and governance. It contributes to a better understanding of the conditions of sustainability of democratic firms by emphasizing the possibility of designing new models of cooperation, which integrate various constraints and do not compromise between antagonist logics within the firm.

Keywords: Corporate Democracy, Democratic Firm, Professional Service Firm, Regeneration, Cooperation

"The activity of co-creating is the core of democracy"

(Mary Parker Follett, Creative experience, 1924:302)

Introduction

In a period of financial, economic and legitimacy crises for firms, there is a current appeal for alternative forms of firms to the conventional capitalist and hierarchical one. Corporate democracy is a recurrent candidate to such alternatives. For example, there has been lately a peak of interest in cooperatives in newspapers and an on-going renewed research interest in such democratic governance (eg.Almeida, Mello et al. 2012; Bachet 2012; Datta and Gailey 2012). However, there is an associated risk of arising as much hopes of change as creating future deception if the ambition and the place of such firms in the overall business landscape are not well characterized.

An historical perspective offers several examples of periods of high criticisms of the relation between work/corporation and society since the early 19th century. For example[1], the 1830-50s period was the first period of cooperatives: groups that stood long were few and circumscribed to qualified trades (former guilds) (eg. Desroche 1976; Bate and Carter 1986). A more recent period was the 1960-70s period, a high peak of societal contestation during which corporate democracy was a central perspective (see for example Slater and Bennis 1969). Self-management aroused at that time and was popular in France (Rosanvallon 1976). But once again,

[1] The periodization is schematic, each national social history has local dynamics. For a quick survey in Great-Britain see the work of Bate, P. and N. Carter (1986). "The future for producers' co-operatives." Industrial Relations Journal **17**(1): 57-70.

disappointment was associated with a lot of failed experiences (Meister 1984). Then a specific issue consists in the sustainability of democratic firms over time, namely the capacity to combine business and social performance with a democratic functioning.

This issue has been at the heart of research debates on democratic corporations since the late 19th century. On the one hand, defenders of the "degeneration" thesis, namely their economic deficiency or the giving up of democratic functioning, have pointed out their inevitable failure (Webb and Webb 1897; Michels 1949 [1911]; Meister 1984). On the other hand, more recent studies have criticized the degeneration thesis and argued that if degeneration processes regularly occur, possibilities of regeneration exist (Stryjan 1989; Stryjan 1994; Cornforth 1995).

Then the main difficulty for democratic firms remains their capacity to overcome degeneration crises and to regenerate. This paper seeks to extend existing knowledge on regeneration processes through the study of a 400-member democratic professional service firm, studied during three years with an intervention research method. It examines how this firm designed organizational outcomes to a twofold crisis of performance and governance. It offers a better understanding of the conditions of sustainability of democratic firms. It shows how regeneration processes can be designed as the elaboration of new models of cooperation and not only compromises between antagonist logics within the firm.

The rest of the paper is organized as follows: in a first section, the literature review on the degeneration/regeneration processes in democratic firms frames the challenges associated to their sustainability. We then present the research settings and the method designed to investigate the processes of regeneration in a

democratic professional service firm. The following section presents the findings on degeneration and regeneration processes in the firm. The last section discusses theoretical and managerial implications of our study.

1. Challenges to the sustainability of democratic firms

What are democratic firms?

There is a difficulty in framing the category of democratic firms. Co-operatives are often presented as the model of democratic firm (Hernandez 2006). But then the definition is based on the legal form of the firm and not on a "mode of organization" (Stryjan 1989). Democratic firms comprehend but are not limited to co-operatives. Some firms have developed democratic functioning from a conventional corporation framework through internal specific devices (de Jong and van Witteloostuijn 2004) and should not be excluded. The term "democratic labor-managed firms" (Luhman 2006) or "democratic member-owned firms" (Spear 2004) or "self-management" (Stryjan 1989) have also been used.

All these terms are linked together with the will to represent alternatives to conventional firms. The latter have developed two features over the modern industrial history: first the governance is determined by the capital owners; second the work and the overall business is organized through hierarchical management (Gand and Béjean 2007). Democratic firms' initiatives usually defend a more or less comprehensive rejection of such features. They differentiate themselves from "democratization" projects, which aim at rebalancing power within conventional firms. The introduction of employees on boards is a "democratization" initiative at the

governance level (Kaufman 2000), whereas autonomous teams or empowerment experiences are examples of attempts to reform the organization of work (Müller-Jentsch 1995; Argyris 1998).

Distinguishing features of democratic firms then lie in the will and the attempt to organize democratically. This means an involvement, direct or indirect, of members in the running and in the governance of their firm. Democratic firm's projects take diverse organizational embodiments due to the necessary adaptation to the activity and to business constraints (Mintzberg 1983; Warhurst 1998).

The degeneration thesis and its limits

The possibility to organize long-standing democratic organizations has been contested by several major authors in the studies of organizational democracy (Webb and Webb 1897; Michels 1949 [1911]; Meister 1984). These approaches have been gathered under the label "degeneration" thesis (Stryjan 1983). The main argument can be summarized in the following quotation: "*All such democracies of producers - either fail or cease to be democracies of producers*" (Webb & Webb, 1920, cited by Rosner 1985). The degeneration thesis states that any democratic organization eventually fails either due to an un-sufficient economic performance or to a conversion to conventional organizing. The balance and the articulation between economic and democratic goals would be impossible to sustain.

Degeneration driven by poor business performance is associated with a narrow conception of organizational democracy as direct participation and collective management. In such cases, management functions are impossible to design and

legitimate (Pendleton 2001). The organization of "ultra-democracy" (Viggiani 1999) is usually not compatible with firms' constraints in most industries.

Degeneration driven by giving-up democratic functioning takes the form of a return to a conventional organizational form, or the move towards formal democracy, or towards an oligarchic functioning. There is a particular tension around management functions that represent pivotal but contested roles in such settings (Gospel and Pendleton 2006). The emergence of a managerial elite opens the door to oligarchic evolutions (Michels 1949 [1911]; Hernandez 2006), whereas needs of managerial competences may be a matter of business survival (Pendleton 2001).

Beyond internal factors, the role of institutional, political and economic environment has been recognized as constraining, and sometimes determinant (Simons and Ingram 2003; Warhurst and Darr 2006). In this perspective, the degeneration process would be linked to 'isomorphic' pressures (DiMaggio and Powell 1983) in the business field of the firm.

This deterministic rationale has long been dominant over the field of research, even among defenders of organizational democracy (Michels 1949 [1911]; Meister 1984) who might have had a rather "romantic" and "idealistic" vision of democracy (Scaff 1981). The latter was a critic of Max Weber to Roberto Michels on his study of the German Social-Democrat Party: such a vision hinders from looking at organizational democracy as an "historical system".

But the degeneration thesis has been contested empirically and theoretically. First, there was an empirical inconsistency as soon as there were examples of democratic firms that managed to adapt and sustain over time. Israeli kibbutzim created in the

1930s[2] and a lot during the 1950s were still existing and some had developed dramatically over time, even if a general crisis happened in the 1980s. A series of work have studied this (eg. Billis 1977; Leviatan 1978; Stryjan 1983; Rosner 1985; Simons and Ingram 1997; Warhurst 1998; Simons and Ingram 2003). Examples of long-standing successful co-operatives have also empirically contested a too deterministic approach to the sustainability of democratic firms (Desroche 1976; Cornforth 1983; Sainsaulieu, Tixier et al. 1983; Demoustier 1984; Rosner 1985; Bate and Carter 1986; Hunt 1992; Stryjan 1994).

Second, and in relation to the empirical existence of long-standing democratic firms, theoretical criticisms focused on the overly deterministic vision of the degeneration thesis' proponents (Sainsaulieu, Tixier et al. 1983; Stryjan 1983; Demoustier 1984; Laville and Mahiou 1984). They claim that organizations are never condemned and that they have at least some room for maneuver. If all organizations cannot be democratic and if their sustainability requires certain conditions, it cannot be presupposed that all are unviable (Stryjan 1989). As long as one is not in a determinist epistemology, there is no fate for social facts and actors play a role on the future of their organizations (Boudon 1981; Giddens 1984; Hatchuel 2005).

1.3. Conceptualizing regeneration processes in democratic firms

The dominant approach to conceptualizing regeneration processes in democratic firms emerged in the specialized research works described above. While acknowledging the potential threat of degeneration phases, scholars of this stream of

[2] The first one, Degania, was established in 1910 Simons, T. and P. Ingram (2003). "Enemies of the State: The Interdependence of Institutional Forms and the Ecology of the Kibbutz, 1910–1997." Administrative Science Quaterly **48**: 592-621.

research have tended to conceptualized ways in which democratic firms can engage in regeneration phases through innovation and adaptation processes to new circumstances, constraints and capabilities (Cornforth 1983). The epistemological position is that organizations are never purely constrained by their environment and can struggle against isomorphism pressures (DiMaggio and Powell 1983). They can develop what Stryjan called "coping strategies" (Stryjan 1983), namely organized action to overcome the degeneration process.

Stryjan and Cornforth have both produced elaborated works on patterns of regeneration (Stryjan 1989; Stryjan 1994; Cornforth 1995). Stryjan proposed a theoretical framework based on Giddens' theory of structuration and his concept of reproduction (Giddens 1984). He developed a theory of reproduction in which the core element is membership as a way to articulate individuals and collective action. According to Stryjan, a degeneration is "a flaw of reproduction" (Stryjan 1989). He then insists on the importance of members' continuous commitment, especially through adapted policies of recruitment and socialization. Cornforth adds a specific attention to structures of management and the division of labor as necessitating regular regeneration and specific design (Cornforth 1995).

The main issues appear to be the management of contradictions between possibly contradictory goals (Varman and Chakrabarti 2004; Hernandez 2006), which have also been approached under the theme of paradoxes (Westenholz 1999). An alternative way of conceptualizing regeneration processes is to consider these firms as “hybrid organizations.” Recent approaches with a neo-institutional lens have thus focused on the capacity of alternative organizations to "hybridize" and treat different institutional logics (Battilana and Dorado 2010; Pache and Santos 2010). We

examine the interest and limits of this approach in the discussion section of this paper.

In a period of renewed interest for corporate democracy, the aim of this paper is to contribute to the understanding and the theorization of regeneration processes in democratic firms. We draw on a case-study of a consulting firm of 400 members. It offers an original perspective on the regeneration issue since most empirical studies have presented rather small structures and rather simple professional activities: groceries, bicycle repairing, farm cooperatives, etc (eg. Cornforth 1995; Viggiani 1997). New experiences develop in a knowledge economy and concern more knowledge-intensive work.

Additionally the origins of degeneration in studied cases lied in growth and/or competition. Innovation or competencies transformation were not obvious. In contemporary firms, competition by innovation is often the rule, unless such democratic firms should stick to restricted industries.

2. Methodology

Research settings

Professional organizations have been described as favorable fields for democratic functioning since there is a relative homogeneity between professionals compared to more industrial businesses (Sainsaulieu, Tixier et al. 1983; Mintzberg 1989; Harrison and Freeman 2004). This is re-inforced in a knowledge economy where traditional hierarchical mechanisms are not so efficient (Rousseau and Rivero 2003).

DemEx[3] is a French consultancy with about 400 employees, which provides economic expertise and consulting services to French and European works' councils. At its creation in 1971, the founders chose to base the organization on 'self-management' principles, as a rejection of managerial hierarchy and capitalist governance. At that time, self-management was seen as a promising perspective by some trade unions and political parties. The corporate form was incorporated due to professional regulations, but the owners gave up their rights to the general assembly of the members. They was consequently no capital power in the firm. Since then, DemEx has been organized democratically, which means that every management functions is subject to an election, that different assemblies discuss strategic and management issues. Every mandate is limited to two or three times with terms lasting two or three years.

The PSF is structured in seventeen autonomous business units (BU), which deliver the service to clients. The members of each unit elect their manager and different additional directors according to their needs (recruitment, finance, computing...). At the corporate level, a general assembly of the members elects every three years an executive board of four managers in charge of running the firm on the basis of a voted corporate platform. A supervisory board is elected at the same time.

Intervention research in a democratic consulting firm

DemEx was studied with a collaborative research approach (Shani, David et al. 2003). One of the co-authors engaged in an intervention research with the PSF

[3] The company name is anonymized.

during three years starting from 2005[4]. An intervention research method was designed to study this atypical PSF and the issue of sustainability (Hatchuel and David 2007; Radaelli, Guerci et al. 2012). Intervention research offers good opportunity to reveal the in-depth functioning of organizations. It presents good potential to account for developing processes of change by studying action and the development of new management models (Radaelli, Guerci et al. 2012).

The starting point with DemEx was rather blurry and more a symptom than a clear definition of issues. It was not expressed at all in a degeneration issue or in a democratic management problem. Board managers felt consultants had difficulties in managing the evolution of the business and the competencies to deal with. From that symptom, which was confirmed with five preliminary interviews with experienced consultants and HR managers, a series of three intervention-researches happened successively. They progressively revealed, analyzed, and theorized the links between competency difficulties, changes in the business demands, new organizational devices and a need evolution of democratic regulation in DemEx.

The table 1 synthesizes the topics, the data production and interpretation, and the outcomes for each research.

Table 1. Synthesis of the intervention-researches methods

	Topic	Date	Data production and interpretation	Outcomes
IR 1	Competency	March	56 interviews within 4	Diagnosis

[4] With two other colleagues

	crisis?	2005-June 2006	business units; readings of productions and discussion with the professionals; internal documents (minutes, assignments records); non-participant observation in meetings. Data first analysis by cross-interpretation from the 3 researchers. Presentation and discussion of analyses in each business unit and to board managers.	producing organizational consensus on the causes of the difficulties. Design of a general framework of interpretation adapted to professional works. Approach to design renewed organizational models and devices.
IR 2	Organizing collective knowledge management	November 2006-March 2008	Participation in a working group in a business unit in order to design career interviews adapted to the democratic context. Presentation and discussion with the whole BU's members Non-participant	Design and experimentation of a system of career interviews Design of a

			observation of a one-day meeting with directors of expertise groups and board managers Analysis of 4 expertise groups; interviews of the main contributors; analysis and discussion of professional production (studies); internal documents (reporting minutes, strategic orientations) Data first-analysis by cross-interpretation. Presentation and discussion to members of expertise groups, and large diffusion/discussion.	legitimate and consensual organizational model for expertise groups.
IR 3	Roots of governance crisis?	March – September 2007	14 interviews with current and former board managers, business unit's managers, HR managers; study of a written history of DemEx;	Diagnosis producing organizational consensus on the causes of the difficulties.

			40 posts on the Intranet forum; written productions of the supervisory board. Data first analysis by cross-interpretation. Presentation and discussion of analyses to the supervisory board and to 2 ad-hoc groups dedicated to this issues.	Organizational design of a renewed governance, which has been mainly implemented.

The intervention research in DemEx was the research field of a doctoral thesis from one of the two co-authors and he completed his research material with a specific historical study of the profession from its birth, of DemEx through interviews with founders and former members and the study of written historical material (charters, minutes...).

3. Degeneration and processes of regeneration of a democratic consulting firm

The origins of crises in DemEx

In the environment of DemEx, trade unions play a particular role since they can advise a particular a PSF to works' councils. Distinctive quality matters to

demonstrate to clients and prescribers that services are of added-value to understand issues and frame their action.

Since its foundation, DemEx has developed with a traditional model of professional apprenticeship. The professionals that are hired have diversified backgrounds: they hold degrees between Master's and doctorate, which can be in various disciplines, for instance history, law, economics or management. Attention is paid to the commitment of potential recruits to service orientation and to their integration in a democratic functioning. Once they are recruited, consultants engage in an apprenticeship process, which lasts ca. three years and consists in a mix of training sessions and supervised assignments. The aim is to generate fully-autonomous consultants. Even if it does not mean consultants then stop learning, this representation of the autonomous professional was aligned with the 20 first years of DemEx existence: a rather stable environment with enough time to learn individually. It was also in line with the tasks and the division of labor: in broad outline, works' councils demands were mainly on retrospective analysis in order to prepare wage negotiations and work was divided *a priori* between consultants in four sections of expertise (financial analysis, management accounting, strategy and social, social and HR analysis). This kind of autonomous professional work is favorable to a democratic setting for two reasons. First it fosters the creation of a collective of peers, practicing similar works and therefore governing by collegiality. Second, the management of DemEx was rather limited to assignments, recruitments and initial apprenticeship. The pay system was also aligned with a pay system close to a "earn-what-you-bill" logic. Therefore it necessitated less complex organizations compared to more coordinated works.

Progressively from the 1980s, changes in the demands and the needs of clients occurred. Issues raised concerned less wage negotiation and more employment. It changed demands from retrospective to prospective analyses. It consequently extended the scope of required expertise and obliged to cross different perspectives of analysis in order to produce recommendations. At the same time, competition increased and there were incentives to demonstrate added-value. It generated a progressive obsolescence of the initial work system and initiatives emerged to cope with the new challenges. They consisted in non-official specialization through assignments and the development of expertise groups. The latter gathered professionals involved in specific issues or industries in order to cross their analyses over industries in meetings, in order to produce strategic notes out of the assignments. In other words, this was a process of emerging knowledge management.

These classical answers in professional settings raised conflicts and arguments on the legitimacy and the equity between professionals regarding these practices. There was a fear that some professionals would "privatize" clients. For example, the conditions of inclusion in an expertise group were not clear. Some industries were also more developed and offered better professional interest, work conditions and pay perspectives. The limits of a too narrow specialization were also debated, for the same reason of "privatization" risk, and for the need of having relatively versatile professionals. The democratic basis of initiatives relying on an only professional rationale was at stake. Was the democratic functioning about to become "formal" through vote procedures or has it to be a more general regulation of organizing? The expertise groups were particularly contested since their directors were not elected, but at the same time competence was determinant to run such groups. It then

appeared difficult to find a trade-off between performance enhancement and democratic functioning.

In parallel, and at first sight non-linked to the competency crisis, a governance crisis occurred. Successive elected executive boards resigned before the end of their mandates. Different arguments emerged to try to explain the un-sustainability of executive functions. In general assemblies, meetings and on the Intranet forum, arguments focused on two rationales. The first one focused on the fact that once elected, executives tended to organize "oligarch" derives and became more and more contested. They consider that a lack of democratic regulation to power positions reinforces the difficulty of managing the firm. The other one focused on the needed evolution of the organization to meet new challenges, maybe at the expense of collegiality. The more important was to recognize the need to adapt the organizational structure to business constraints. In this context, organizational democracy was maybe un-sustainable and counterproductive to service quality. Could democratic governance be compatible with a manageable and competitive organizational functioning?

Designing a new model of cooperation

From previous research and the first intervention research (see table 1. for details), a consensus emerged on the need to overcome the existing individualistic organizing and to elaborate and legitimate emerging practices in a democratic setting. It took three main different ways: career management, expertise groups, and executive governance.

Career management was previously absent of management, except for initial apprenticeship. Short-term assignments were the official rule. An issue was to legitimate relative specialization and to embody democratic regulation in it. A system of yearly interviews was designed and implemented. Driven by BU's managers, its objectives were threefold: working on mid-term assignment policies with an articulation between the professional's wishes and the organizational needs; contributing to the elaboration of a strategy in nourishing the manager with potential development initiatives from the professionals; offering a public, justified and a discussable synthesis of assignments choices. The "privatization" issue was then managed: the disclosure of assignments' choices embedded in strategic orientations opened the door to informed democratic debates in group's meetings, where eventually such orientations should be validated.

The initiative on career management was also needed to develop more efficient and legitimate expertise groups. The heterogeneity of expertise groups was acknowledged (activities, size), and it was a source of conflict. There was an impression of anarchical practices and heterogeneity was perceived as a problem, essentially because of the opaqueness of the structures. Behind that lied the need to fit such groups in a general democratic regulation. Through multiple analyses (see. Intervention-research 2 in Table1.), it was made sense of heterogeneity of actions in classifying them and in analyzing a group activity relatively to its specific strategic issues. A functional model of the possible contributions of expertise groups helped to position and to make sense of differences between them (see figure 1 below). It distinguished between:

- Production of expertise: this is the core of such group, to develop expertise material through a variety of means. The ends of these means were the two additional summits of the triangle.
- Internal knowledge management: it consists in the formalization and the diffusion of expertise towards the other consultants to help them to work with their clients. It could be through written documents or through direct support or intervention on an assignment.
- and Client's development: these are activities which seek at finding new clients, but also to gain the clients' loyalty and to develop on new kinds of clients (different from works' councils).

This framework allowed demanding groups to elaborate and justify local strategy and to contribute and inscribe them in a corporate strategy. For instance, a large industry expertise group had a lot a clients and recognized expertise development, but only gather in few heads. Their strategic priority was then designed as Internal knowledge management to develop young promising consultants and then to continue to develop on a production of innovative expertise and on new clients. In another industry expertise group, much more small in size, the issue was in priority to develop on new clients. The basis of clients was fragile and made it difficult to gain get time to capitalize and to produce distinctive expertise. The strategy focused on such client's development, by asking a development budget to the firm. It opened the way to corporate investment policies to develop strategic new expertise and services. Overall this clarification helped defined rights and duties for groups, and to design non-elected directors. They had to be recognized internally and legitimate in running an expertise group. Then they should be validated by the executive board. It means that the executive board control and only intervene when a problem arises.

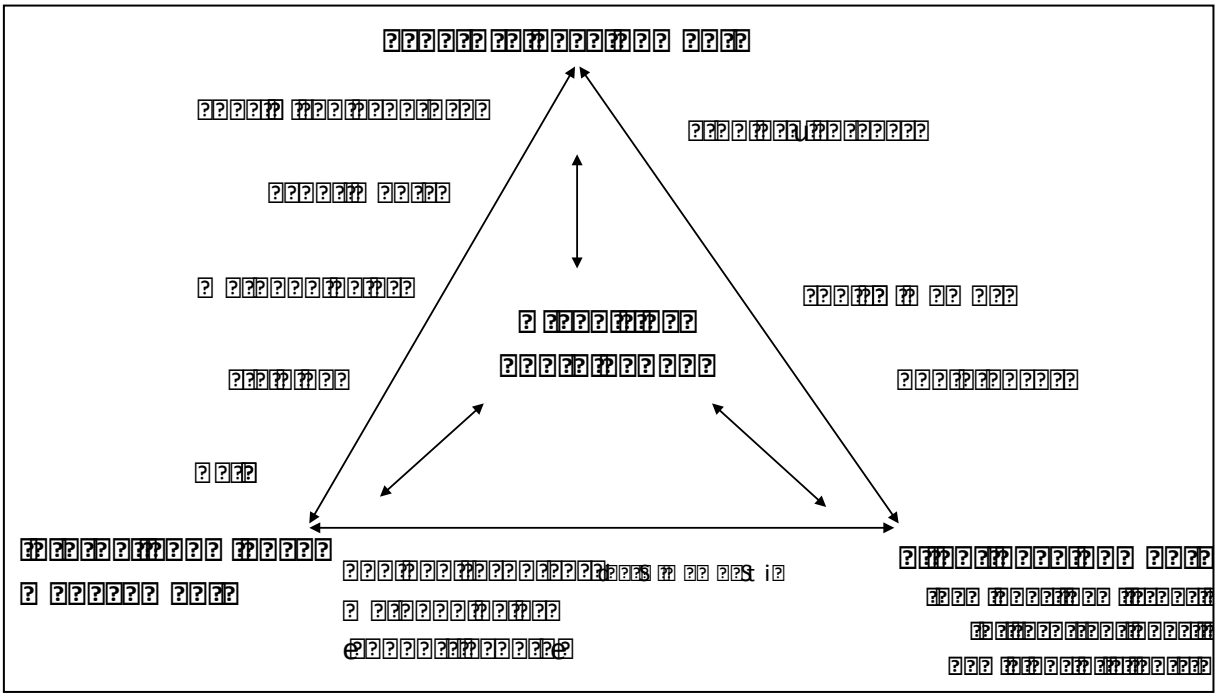


Figure 1. A functional framework for expertize groups in DemEx

Debates around executive governance were harsh. Was DemEx unmanageable because of the democratic functioning, i.e. elections and debates? The governance sources of the crisis appeared to rather be under-structuring regarding size and management issues. Executive functions were no longer adapted to growth in size, in organization complexity and in management issues over time: more coordination interactions with a growing number of structures; evolving demands of important external stakeholders; development on new business activities...

Evolutions happened with the creation of intermediate structures to support the executive board. A first one was the BU's manager meeting and the second one was the meeting of the directors of expertise groups. Moreover the logic and the content of the platform voted at the same time as the election of the board managers was rethought. It was no longer considered as a precise program but more a roadmap. It distinguished between issues which were clarified with solutions to implement or to manage and issues which were to investigate. The representation of the latter was

important to help sustaining executive functions. They were no longer under the criticisms and fierce debates on blurry topics. They could organize additional support groups to explore and to organize learning on the issue.

Since the end of the research, DemEx has reinforced its democratic identity in adopting a co-operative form in 2011. The development of the firm has continued, partly through internationalization, since three subsidiaries opened in other European countries.

4. Discussion

Regeneration processes as designing new models of cooperation

Contradictions (Varman and Chakrabarti 2004), tensions (Hernandez 2006), paradoxes (Westenholz 1999), conflicting institutional logics (Battilana and Dorado 2010; Pache and Santos 2010) generate difficulties in the management of alternative organizations. The outcomes are described as processes either of degeneration, or "hybridization", or permanent tension.

DemEx is confronted to similar antagonist pressures and dichotomies. A striking example is the debate on the existence of expertise groups. The birth of new structures and new roles of expert in the organization are very disputed and the rationales convey two different legitimacy. On the one hand, some argued on a professional competency basis that such structures were necessary to the survival of the firm in order to propose high quality services. On the other hand, other argued on

a democratic argument, that emerging structures had no democratic regulation since their activities were blurry for group's outsiders and there were no elected positions. But the development of these groups followed a pattern, which can be interpreted in a different way. Rather than responding to external institutional logics (Friedland and Alford 1991), DemEx had a mix of clients-driven incentive and member's commitment to democratic functioning. In this context, the issues, and the degeneration slope were on the possible impossibility to combine both demands.

The intervention research produced a framework which helped designing and adapting such expertise groups to the democratic setting of DemEx while re-inforcing their legitimacy and their means in the firm. The functional framework was in that sense a mean to represent the relation of expertise groups to the firm's "common good". Production of expertise is linked to either Commercial development or to Internal knowledge management, i.e. ways to transfer and provide expertise to members who are non-experts in the field and to contribute to the overall advance of the firm. It helped to re-think the division of labor, as the former autonomous professional was now embedded in a more collective service production. Expert roles were acknowledged and they could intervene as support to specific issues on assignments and they could work besides clients' assignments to develop synthses or surveys. It went along with a clarification of rights and duties between expertise groups and management, as they should explained their strategy and the means to implement. This rather classical evolution of professional service firms (Abbott 1988; Tolbert and Barley 1991) was possible while fitting in a democratic setting. The election of expertise groups' directors was not held in due to the importance of competency legitimacy on the expertise issues. The democratic embodiment was mainly twofold: in the move towards transparency through regular reporting and

strategic exchanges and in a system of rights and duties between group's members and the rest of the firm. This was a move towards an enhancement of representative democracy (through the board of managers), which is inevitable due to size and information costs.

This process of regeneration appears to be different from the treatment of conflicting issues as a degeneration process or as a compromise process. In this case, there is an outcome through the design of a new model of cooperation. The term cooperation refers to volunteer collective action. We refer to the work of Barnard (Barnard 1968 (1938)). He defined a formal system of organization as the dynamic adaptation of three elements: the will to cooperate, a common purpose and means to cooperate (structure, communication, management tools). The cooperation continues when the action is efficient and when members are satisfied. In the case of DemEx, the regeneration process relied on the production and the implementation of a renewed model of cooperation. It suggests that next to processes of hybridization or submission of one goal to another, a third logic of evolution exists. Conflicting logics have been treated by another historical management scholar, Follett, who distinguished between three outcomes to such dichotomies (Follett 1924). The first one is the "domination" of one logic on another and the second one is the "compromise". In both cases, the conflict is not resolved and reappears sooner or later. The third one is labeled "integration": in this case, conflicting points of view are confronted in order to share knowledge. The aim is to generate a new situation, through the integration process, which can satisfy both sides. Conflicts may reemerge, but they will not be in the same form.

Then a process of regeneration through the design of a new model of cooperation appears to be a third possible outcome of degeneration crises, next to degeneration and compromise processes.

It goes along with a conception of organizational democracy as a purpose to embody in the organization, which is not existing independently of the work settings, the environment constraints and the actors' will. As a consequence, democracy is not an achievement in itself but a component of a collective purpose, which also encompasses organizational efficiency (Reynaud 1997). In the case of DemEx, the new model of cooperation created more links and solidarity between members. The original model made jointly liable few issues, since expertise developments, the organization of work, and the pay system were mainly designed for autonomous individuals. The new model emphasizes collective production and work through the development of investment policies or the existence of expertise groups for example.

Managerial implication

Crises of degeneration are unavoidable in the course of democratic firms (Stryjan 1984). The issue is to be able to manage regeneration processes. The intervention researches helped DemEx to frame issues and then to design and experiment renewed organizational perspectives. DemEx also adapted progressively its governance, especially by differentiating two mandates, which are given to board managers through the platform. The first one is a mandate of implementation when issues and management directions are clarified; the second one is a mandate of inquiry when issues are blurry and contested with the aim of investigating first. These two regimes of executive action help framing the nature and the place of debates and

the aim of the managerial action on a topic. Collective learning processes are of primary importance because they help building consensus among members. Voting is also a factor of division when results are close. A long investigation leading to a large consensus paves the way to a rapid implementation. The evaluation of democratic time-consumption appears more exact when including the outcome of the process and the implementation.

Conclusion and further research

The aim of this paper was to further examine the processes of regeneration in democratic firms. In line with previous research, our goal was not to contest the existence and threat of degeneration phases related to these organizations, but to contest the deterministic view on the degeneration processes and suggest ways in which to understand and sustain regeneration processes.

Our findings provide an empirically-based account of a different pattern of regeneration. They shed light on the design of a new model of cooperation, understood as new ways of organizing and embodying democracy in it, as an original outcome to degeneration crises. This dynamic of cooperation can neither be restricted to a natural evolving phenomenon, nor to the making of compromises between antagonistic logics within the firm. The understanding of this dynamic is thus of paramount importance when studying regeneration processes since it is fundamental to the development of sustainable democratic firms.

Finally, by characterizing the elaboration of new models of cooperation as an “integration process” (Follett) that can be collectively conducted, the paper provides actionable knowledge on the way in which to foster regeneration processes.

Caution in the application of the analysis to other kinds of alternative organizations should be taken. In a democratic firm governed by its members the number of stakeholders remain limited compared to a non-governmental organization (NGO). It may then be easier to engage in "integration processes".

Further research could deepen the logic theorized from the case-study by looking at cases showing similar patterns.

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